



## COMMISSIONERS

BOB STUMP, Chairman

GARY PIERCE

BRENDA BURNS

BOB BURNS

SUSAN BITTER SMITH

RECEIVED

2014 JAN 29 P 12:36

ORIGINAL

CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
SOUTHWESTERN TELEPHONE COMPANY,  
AN ARIZONA CORPORATION, FOR A  
HEARING TO DETERMINE THE EARNINGS  
OF THE COMPANY, THE FAIR VALUE OF  
THE COMPANY FOR RATEMAKING  
PURPOSES, AND TO INCREASE  
RESIDENTIAL RATES AS NECESSARY TO  
COMPENSATE FOR THE RATE IMPACTS OF  
THE FCC'S USF/ICC TRANSFORMATION  
ORDER

DOCKET NO. T-01072A-13-0412

## SUPPLEMENTAL FILING

Southwestern Telephone Company ("Southwestern Telephone") hereby files at the request of Commission Staff a schedule showing return on rate base assuming that the Wireline Competition Bureau sets \$17.50 as the monthly residential rate floor to be in effect for June 1, 2014. At \$17.50, the return would be 0.3% versus 1.0% if the rate floor is set at \$19.00 per month.

Respectfully submitted on January 29, 2014.

Arizona Corporation Commission

DOCKETED

JAN 29 2014

DOCKETED BY

Craig A. Marks

Craig A. Marks, PLC

10645 N. Tatum Blvd., Ste. 200-676

Phoenix, Arizona 85028

(480) 367-1956 (Direct)

(480) 304-4821 (Fax)

[Craig.Marks@azbar.org](mailto:Craig.Marks@azbar.org)

Attorney for Southwestern Telephone Company

Original and 13 copies filed  
on January 29, 2014, with:

Docket Control

Arizona Corporation Commission

1200 West Washington

Phoenix, Arizona 85007

# Southwestern Telephone Company

November 15, 2013

REGULATED RESULTS OF OPERATIONS FOR TWELVE MONTHS ENDING JUNE 30, 2013  
REFLECTS CHANGES EFFECTIVE WITH ARC AND CAF IMPLEMENTATION - YEAR 2

	TOTAL TELEPHONE OPERATIONS (a)	ADJUSTMENTS (b)	Ref (c)	ADJUSTED RESULTS (d)	INTERSTATE (e)	INTRASTATE (f)
1 Local	696,697	-1,663 #7		695,034	0	695,034
2 Universal Service Fund (USF-HCL)	453,594	-67,851 #5,6		385,743	0	385,743
3 Access Revenues	1,680,585	-31,829 #7	#1,2,3,4	1,648,756	1,158,381	490,375
4 Billing & Collecting	30,135	-78 #8		30,057	12,474	17,583
5 Other Misc., Uncollectibles	81,523			81,523	31,364	50,159
6 Total Operating Revenues	2,942,534	-101,421		2,841,113	1,202,219	1,638,894
7 Plant Specific Expenses	592,733	41,420 #10		634,153	269,114	365,039
8 Plant Nonspecific Expenses	260,364	16,969 #7,10		277,333	147,828	129,505
9 Depreciation & Amortization Expenses	933,069	96,223 #10		1,029,292	415,777	613,515
10 Customer Operations Expenses	307,124	14,169 #9,10		321,293	111,003	210,290
11 Corporate Operations Expenses	398,991	22,242 #10		421,233	143,731	277,502
12 Other Operating Taxes and (Income)	54,167	112,255 #9,10		166,422	72,011	94,411
13 Nonregulated Adjustment (Part 69 WBI)		-290,597 #10		-290,597	-290,597	0
14 Total Operating Expenses	2,546,448	12,681		2,559,129	868,867	1,690,262
15 OPERATING RETURN BEFORE TAXES	396,086	-114,102		281,984	333,352	-51,368
16 State Income Taxes (SIT) (6.97%)	26,919	-7,265 #11		19,654	23,235	-3,580
17 Federal Income Taxes (FIT) (35%)	130,482	-38,667 #11		91,815	108,541	-16,726
18 Total Operating Income Taxes	157,401	-45,931		111,470	131,776	-20,306
19 Total Expenses and Income Taxes	2,703,849	-33,250		2,670,599	1,000,843	1,669,756
20 Net Operating Income	238,685	-68,171		170,514	201,576	-31,062
21 Total Year-End Rate Base	3,504,514	0		3,504,514	1,366,096	2,138,418
22 Return on Rate Base (Ln 20 / Ln 21)						-1.5%
23 Estimated Revenue from Local Rate Increase						61,152
24 State Income Taxes (SIT) (6.97%)						4,262
25 Federal Income Taxes (FIT) (35%)						19,911
26 Increase in Net Operating Income						36,978
27 Net Operating Income After Increase (Ln 20 + Ln 26)						5,916
28 Return on Rate Base After Increase (Ln27 / Ln21)						0.3%

## ASSUMPTIONS

Used 2012 Cost Study run dated 07/18/2013 for Part 36 separation of expenses.

Separated results based upon frozen 2000 traffic factors

Separated results based upon 6/30/2013 financials, interstate rules, adjusted for Part 64 activities

Working Capital included for all jurisdictions